STATE OF ILLINOIS

ILLINOIS COMMERCE COMMISSION

Commonwealth Edison Company **Tariffs and charges submitted pursuant to Section 16-108.5 of the Public Utilities Act.**	: : : : :	**Docket No. 11-0721**

PREHEARING MEMO OF THE STAFF

OF THE ILLINOIS COMMERCE COMMISSION

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February 29, 2012

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Staff of the Illinois Commerce Commission ("Staff"), by and through its counsel, pursuant to the direction of the Administrative Law Judge ("ALJ"), respectfully submits its prehearing memo in the above-captioned matter.

I. INTRODUCTION / STATEMENT OF THE CASE

Commonwealth Edison Company ("ComEd", the "Company" or the "Utility") on November 8, 2011 filed with the Illinois Commerce Commission ("Commission") tariffs and charges pursuant to Section 16-108.5 of the Illinois Public Utilities Act ("PUA"). The Commission on the same day suspended ComEd's tariff filing and directed that a hearing be held concerning the propriety of the tariffs. Suspension Order, p. 1. The tariffs were suspended for a period of 105 days beginning December 23, 2011 to and including April 5, 2012.

A prehearing conference was held on November 22, 2011 at which time a procedural schedule was set in this matter. As part of the schedule, the Administrative Law Judges ("ALJs") directed the parties to prepare a prehearing memo to be filed on February 29, 2012. Tr., November 22, 2011, p. 14. Staff's prehearing memo follows.[1]

II. OVERALL REVENUE REQUIREMENT

Based upon current revenues of $2,212,979,000, the Company proposed a revenue decrease of $57,037,000 which would result in a proposed revenue requirement of $2,155,942,000 (a 2.58% decrease from existing revenues). Staff Ex. 13.0, Schedule 13.05, lines 1 through 4.

However, based upon the analysis of its various witnesses, Staff proposes additional downward adjustments totaling $73,169,000 which would result in a revenue decrease of $130,206,000 for the Company and a proposed revenue requirement of $2,082,773,000 (a 5.88% decrease from existing revenues). Id.

III. RATE BASE

A. Potentially Uncontested Issues

1. Customer Deposits

(Ostrander, Staff Ex. 4.0, pp. 2-3)

[1] The positions taken and issues identified in this prehearing memo are not intended to be the exclusive list of issues for Staff nor are they necessarily Staff's final position on an issue. Staff has not had sufficient time to review the Intervenor's rebuttal testimony filed February 24, 2012, has not received the Company's surrebuttal testimony which is not due until March 2, 2102, and Staff has not had the benefit of cross-examination in this matter. Therefore, the issues discussed in this pretrial memo may be revised or added to at the time of briefing in this matter.

Staff proposes interest accrued on customer deposits be moved from the Company's rate base to the operating statement. The Company agreed to this proposal (ComEd Ex. 13, p. 16). This issue is no longer contested.

2. Regulatory Assets

(Ostrander, Staff Ex. 4.0, pp. 7-8)

Staff recommends that the Commission find that the amount for the recovery of the identified existing regulatory assets over the periods previously authorized by the Commission is prudent and reasonable.

B. Contested Issues

1. Cash Working Capital (CWC)

(Kahle, Staff Ex. 3.0, pp. 3-15; Kahle Staff Ex. 15.0, pp. 2-9)
Staff reduced CWC through: (a) lower number of revenue collection lag days for pass-through taxes consistent with the Final Order in Docket No. 10-0467; and (b) higher number of expense lead days on intercompany receivables also consistent with the Final Order in Docket No. 10-0467.

2. Pension Asset

(Ebrey, Staff Ex. 1.0, pp. 7-11; Ebrey Staff Ex. 13.0, pp. 4-14)

Staff recommends that the amount of pension funding costs proposed by the Utility be disallowed in full since no pension asset exists for purposes of a return being permitted under Section 16-108.5. The Commission has discretion to determine the definition of "pension asset" as it is used in the statute since no definition has been specifically stated.

3. Incentive Compensation

(Ebrey, Staff Ex. 1.0, pp. 14-16; Ebrey Staff Ex. 13.0, pp. 17-21)

Staff recommends that costs associated with the Long-term Incentive Plan ("LTIP") – Restricted Stock be disallowed from recovery consistent with the decision in Docket No. 10-0467. In addition, Staff agrees with CUB witness Smith that the Annual Incentive Plan ("AIP") should be limited; however, Staff proposes the cap for the net income limiter be based strictly on the AIP plan (102.9%) rather than the amount which was subject to the increased net income limiter (112.9%) as a result of the LTIP plan's CEO Discretionary feature. Staff also agrees with the proposals made by intervenors to disallow the 75% of the Business Services Company ("BSC") incentive compensation costs which are tied to a earnings per share ("EPS") goal since the statute specifically prohibits such costs from recovery.

4. Perquisites and Other Awards

(Ebrey, Staff Ex. 1.0, pp. 16-17; Ebrey Staff Ex. 13.0, p. 21)

Staff recommends that Perquisites and Other Awards should be reduced consistent with the Commission's conclusion in Docket No. 10-0467 since no evidence has been provided to lead the Commission to a different conclusion in this case.

5. Wages and Salary Allocator

(Knepler, Staff Ex. 2.0, pp. 8-11; Knepler Staff Ex. 14.0, pp. 3-6)

Staff proposes to reduce the Company's Wages and Salaries Allocator by 0.50% from 89.22% to 88.72%. In general, the Wages and Salaries Allocator (or A&G Allocator) is used to determine how much of the Administrative Wages and Salaries should be allocated to delivery service customers. The Wages and Salaries Allocator is also used in numerous places in ComEd's Formula Template to allocate other operating statement and rate base data to the delivery service customers. Both Staff and the Company agree as to the numerator of the ratio, but disagree on the components of the denominator. Staff believes the denominator should reflect all wages and salaries. The Company believes it should reflect all wages and salaries except production wages. The derivation of both the Company's and Staff's Wages and Salaries Allocator is presented on Staff Ex. 2.0, Schedule 2.02.

6. Capital Additions

a. Adjustment based upon historical comparison

(Bridal, Staff Ex. 5.0, pp. 3-7; Bridal Staff Ex. 16.0, pp. 3-9)

Staff proposed an adjustment to projected plant additions based on the Company's history of achieving on average only 96% of its budgeted plant additions since 2006. Although the level of projected plant additions is still contested, Company and Staff came to an agreement on how best to project depreciation on plant additions.

b. Adjustment to remove cancelled, incomplete projects and wrongfully categorized transmission projects

(Rashid, Staff Ex. 8.0, pp. 2-9; Rashid, Staff Ex. 19.0, pp. 2-6)

Staff proposes to disallow total of $14,926,065 from rate base for projects that are cancelled ($1,316,739), completed after Dec. 31, 2011/on-hold ($13,437,550), and categorized as transmission ($171,776).

7. Non-AFUDC CWIP in 2010 Rate Base

(Bridal, Staff Ex. 5.0, pp. 7-9; 16.0, pp. 9-14)

Staff proposed an adjustment to remove short term, non-AFUDC CWIP from rate base for purposes of calculating a revenue requirement to set formula rates because those CWIP are also included in projected plant additions, and inclusion in both places would amount to double counting. In addition, Staff argued that it is inappropriate to include in the forecast revenue requirement any additional costs that are proxies for costs in future periods.

8. Adjustment due to Functionalization of General and Intangible Plant (G&I Plant)

(Bridal, Staff Ex. 5.0, pp. 9-10; Bridal Staff Ex. 16.0, pp. 14-15)

Staff witness Bridal set forth the adjustment to reduce distribution-related general and intangible plant and corresponding depreciation expense and accumulated depreciation amounts as a result of Staff witness Rukosuev's recommendation that specific G&I plant accounts be allocated using different allocators than those employed by the Company.

9. Depreciation on 2010 Historical Plan

(Bridal, Staff Ex. 5.0, pp. 10-12; Bridal Staff Ex. 16.0, pp. 15-17)

Staff proposed adjustments to the calculation of the roll-forward of depreciation reserve and expense related to historical 2010 plant. Company and Staff came to an agreement on how best to calculate the roll forward. This is no longer a contested issue between Staff and the Company.

10. Original Cost Determination

(Bridal, Staff Ex. 5.0, pp. 12-13; Bridal Staff Ex. 16.0, pp. 17-20)

Staff recommended adjustments to the Company's requested original cost determination related to adjustments Staff and other witnesses proposed which impact plant in service as of December 31, 2010. Staff agreed with the Company regarding the exclusion from the original cost finding of rate making disallowances to rate base that do not impact original cost.

11. Accumulated Deferred Income Taxes (ADIT)

a. ADIT on Projected Plant Additions

(Bridal, Staff Ex. 16.0, pp. 20-21)

Staff agreed with the Company that Intervenor proposals to adjust rate base for the impact of estimated ADIT on 2011 projected plant additions were not appropriate under applicable formula rate regulations.

b. ADIT on Associated Employee Litigation

(Bridal, Staff Ex. 16.0, pp. 22-23)

Staff agreed with the Company that ADIT associated with employee litigation had been mislabeled in the initial filing, and should have been labeled as ADIT related to Renewable Energy Credits and ADIT related to 401(k) matching. Staff agreed with the Company that ADIT related to Renewable Energy Credits should not be recovered in rate base, but ADIT related to the specific 401(k) matching in question in this proceeding was appropriate for recovery in rate base.

c. ADIT Associated with Bad Debt Reserve

(Bridal, Staff Ex. 16.0, pp. 23-25)

Staff proposed an adjustment to reduce the amount of Bad Debt-related ADIT allocated to distribution services. Staff agreed with the Intervenors AG/AARP and CUB that ADIT associated with the bad debt reserve should be allocated using the same basis as the related depreciation expense, utilizing the revenue allocator instead of allocating 100% to Distribution Services, as done by the Company.

d. ADIT Associated with Accrued Incentive Compensation and Accrued Vacation Pay

(Bridal, Staff Ex. 16.0, pp. 25-26)

Staff disagreed with CUB regarding its proposal to remove from rate base the ADIT related to Accrued Incentive Comp and Accrued Vacation Pay. However, Staff did agree with the ADIT component of CUB's adjustment to the reserve for incentive compensation and the reserve for compensation pay. CUB proposed a second adjustment to add back part of the removed ADIT in relation to a similar operating reserve issue

e. ADIT Associated with FIN 47

(Bridal, Staff Ex. 16.0, pp. 26-27)
Staff agreed with the Company that the inclusion of jurisdictional FIN 47 ADIT in rate base is appropriate because FIN 47 relates to plant removal costs, and the operating reserve associated with plant removal costs recovered through depreciation expense is included in rate base as a reduction to rate base. CUB had proposed removal from rate base of the ADIT related to FIN 47.

12. Operating Reserve and Liability for Accrued Vacation Pay

(Bridal, Staff Ex. 16.0, pp. 27-29)

Staff proposed an adjustment to include the reserve for accrued vacation pay as a reduction to rate base and offset to related ADIT. Staff agreed with the position of AG/AARP and CUB that it was appropriate to include the reserve for accrued vacation pay as a reduction to rate base and offset to related ADIT.

13. Operating Reserve and Liability for Accrued Incentive Pay

(Bridal, Ex. 16.0, pp. 29-31)

Staff proposed an adjustment to include the reserve for accrued Incentive pay as a reduction to rate base and offset to related ADIT. Staff agreed with the position of AG/AARP and CUB that it was appropriate to include the reserve for accrued incentive pay as a reduction to rate base and offset to related ADIT.

14. Deferred Credit Related to Fiber Optic Equipment Lease

(Bridal, Ex. 16.0, pp. 31-32)

Staff agreed with the Company and AG/AARP that the deferred credit related to an entity's lease of fiber optic equipment from the Company should be included with other deferred credits as a reduction to rate base. However, Staff did not agree with AG/AARP's use of the Net Plant allocator to allocate costs to distribution services, and instead supported the Company position to use the Communication Equipment allocator.

IV. OPERATING EXPENSES

A. Potentially Uncontested Issues

1. Uncollectible Expense Adjustment

(Knepler, Staff Ex. 2.0, pp. 3-8; Knepler Staff Ex. 14.0 pp. 2-3)

Staff proposes uncollectible expense be removed from this and all future formula rate filings and the expense recovery and related issues be addressed in Rider UF (Uncollectible Factors). The Company conditionally agreed to this proposal (ComEd Ex. 11, p. 31). This issue is no longer contested.

2. Regulatory Commission Expense

(Knepler, Staff Ex. 2.0, pp. 11-12; Knepler Staff Ex. 14.0 p. 10)

Staff proposes to reduce administrative and general expenses for regulatory commission expense previously recovered through ComEd's power procurement rider (Rider PE – Purchased Electricity). ComEd agreed to this correction (ComEd Ex. 13.0, p. 41). This issue is no longer contested.

3. Transmission Related R&D Expense

(Knepler, Staff Ex. 2.0, p. 12; Knepler Staff Ex. 14.0, p. 2)

Staff proposed to reduce administrative and general expenses for the non-jurisdictional transmission related research and development costs that were inadvertently included in ComEd's formula rate filing. ComEd agreed to this correction ComEd Ex. 13.0, p. 41). This issue is no longer contested.

4. Rate Case Expense

(Ostrander, Staff Ex. 4.0, pp. 3-5)

ComEd acknowledged that it must prove the prudence and reasonableness of rate case expenses that will be requested to be recovered in future reconciliations for the costs associated with this proceeding that will be incurred in 2011 and 2012.

5. Unusual Operating Expense – June 18, 2010 Storm Costs

(Ostrander, Staff Ex. 4.0, p. 6)

Staff recommends that the Commission find as prudent and reasonable costs of $2.216 million as an unusual operating expense and the unamortized storm costs of $8.863 million with deferred tax impact of ($3.523 million) which are reflected in rate base.

6. Unusual Operating Expense – Illinois Distribution Tax Credits (IDTC)

(Ostrander, Staff Ex. 4.0, pp. 6-7)

Staff recommends that the Commission find as prudent and reasonable the amortized amount of IDTC of ($7.796) million as an unusual operating expense and the unamortized IDTC of ($31.184 million) with deferred tax impact of $12.394 million which are reflected in rate base.

7. Professional Sporting Activity Expense

(Tolsdorf, Staff Ex. 6.0, pp. 8-9; Tolsdorf Staff Ex. 17.0 pp. 1-2)

Staff proposed professional sporting activity expenses be removed from this formula rate filing. The Company indicated in response to Staff DR ST-1.01 that these expenses were inadvertently included in the proposed revenue requirement and agreed to the removal of these costs (ComEd Ex. 13, p. 41). This issue is no longer contested.

8. Outside Services Employed

(Tolsdorf, Staff Ex. 6.0, p. 9.; Tolsdorf Staff Ex. 17.0 pp. 1-2)

Staff proposed certain legal fees associated with an IRS dispute be removed from this formula rate filing. The Company indicated in response to CUB DR 2.05 that inclusion of these fees was an inadvertent oversight. ComEd agreed to remove these costs (ComEd Ex.13, p. 41). This issue is no longer contested.

9. Legal Fees Associated with Rider EDA

(Tolsdorf, Staff Ex. 6.0, p. 9; Tolsdorf Staff Ex. 17.0, p. 2)

In response to Staff DR ST-3.02, the Company indicated that an accounting error led to a revenue requirement overstatement regarding legal fees associated with Rider EDA. ComEd agreed to correct this error (ComEd Ex.13, p. 41). This issue is no longer contested.

B. Contested Issues

1. Wages and Salary Allocator

(Knepler, Staff Ex. 2.0, pp. 8-11; Knepler Staff Ex. 14.0, pp. 3-6)

Staff proposes to reduce the Company's Wages and Salaries Allocator by 0.50% from 89.22% to 88.72%. In general, the Wages and Salaries Allocator (or A&G Allocator) is used to determine how much of the Administrative Wages and Salaries should be allocated to delivery service customers. The Wages and Salaries Allocator is also used in numerous places in ComEd's Formula Template to allocate other operating statement and rate base data to the delivery service customers. Both Staff and the Company agree as to the numerator of the ratio, but disagree on the components of the denominator. Staff believes the denominator should reflect all wages and salaries. The Company believes it should reflect all wages and salaries except production wages. The derivation of both the Company's and Staff's Wages and Salaries Allocator is presented on Staff Ex. 2.0, Schedule 2.02.

2. Pension Expense

(Ebrey, Staff Ex. 1.0, pp. 11-14, Ebrey Staff Ex. 13.0, pp. 14-17)

If contrary to Staff's recommendation the Commission does allow "pension funding cost recovery", then Staff proposes that the amount of pension expense to be recovered in rates reflect the discretionary contributions made in 2010 that will decrease pension expense in future periods including 2012. If no pension funding cost is allowed in the approved revenue requirement, no adjustment to pension expense would be necessary.

3. Incentive Compensation

(Ebrey, Staff Ex. 1.0, pp. 14-16, Ebrey Staff Ex. 13.0, pp. 17-21)

Staff recommends that costs associated with the Long-term Incentive Plan ("LTIP") – Restricted Stock be disallowed from recovery consistent with the decision in Docket No. 10-0467. In addition, Staff agrees with CUB witness Smith that the Annual Incentive Plan ("AIP") should be limited; however, Staff proposes the cap for the net income limiter be based strictly on the AIP plan (102.9%) rather than the amount which was subject to the increased net income limiter

(112.9%) as a result of the LTIP plan's CEO Discretionary feature. Staff also agrees with the proposals made by intervenors to disallow the 75% of the Business Services Company ("BSC") incentive compensation costs which are tied to an earnings per share ("EPS") goal since the statute specifically prohibits such costs from recovery.

4. Perquisites and Other Awards

(Ebrey, Staff Ex. 1.0, pp. 16-17: Ebrey Staff Ex. 13.0, p. 21)

Staff recommends that Perquisites and Other Awards should be reduced consistent with the Commission's conclusion in Docket No. 10-0467 since no evidence has been provided to lead the Commission to a different conclusion in this case.

5. Adjustment to Depreciation Expense due to Functionalization of General and Intangible Plant (G&I Plant)

(Bridal, Ex. 5.0, pp. 9-10; 16.0, pp. 14-15)

Staff witness Bridal set forth the adjustment to reduce distribution-related general and intangible plant and corresponding depreciation expense and accumulated depreciation amounts as a result of Staff witness Rukosuev's recommendation that specific G&I plant accounts be allocated using different allocators than those employed by the Company.

6. Charitable Contributions

(Tolsdorf, Staff Ex. 6.0, pp. 2-6; Tolsdorf Staff Ex. 17.0, pp. 2-5)

Staff proposes to disallow the Company's Charitable Contributions that do not fall into one of the categories set forth in Section 9-227 of the Public Utilities Act to be recoverable through rates. Specifically, Staff proposes a more narrow definition of the phrase *public welfare* than that used by the Company. In addition, Staff proposes the disallowance of a donation made to the University of Wisconsin as it is outside of ComEd's service territory. The Company's interpretation of Section 9-227 is incorrect. Dr. Hemphill stated:

> As I understand it, Illinois utilities can recover contributions when they are: (a) for a "charitable, scientific, religious or

educational purpose," and (b) reasonable in amount. (ComEd Ex. 11.0, p. 11)

Based on the Company's flawed understanding of Section 9-227, the Company appears to believe that any donation made to a charitable organization is recoverable through rates. This is incorrect. Section 9-227 only allows for recovery of donations that fall within certain categories. The derivation of Staff's recoverable Charitable Contributions is presented on Staff Ex. 6.0, Schedule 6.01 and Staff Ex. 17.0, Schedule 17.01

7. Advertising Expense

(Tolsdorf, Staff Ex. 6.0, pp. 6-8; Tolsdorf Staff Ex. 17.0, pp. 5-7)

Staff proposes to disallow the Company's advertising costs which are goodwill in nature and incremental to the Company's historical expenditures for conservation of energy advertising. Section 9-225 of the Act specifically prohibits advertising which is designed primarily to bring the utility's name before the general public in such a way as to improve the image of the utility. In addition, the creation of Rider EDA was to, "recover all Incremental Costs incurred by the Company in association with Energy Efficiency and Demand Response Measures…" (ILL. C.C. No. 10, 1st Revised Sheet No. 245) Prior to the creation of Rider EDA, the Company recorded in 2006, $157,000 of conservation of energy advertising costs. In 2010 the Company's conservation of energy advertising costs were $2,800,000. These costs are incremental to what the Company has historically spent and should not be recovered through the formula rates. The derivation of Staff's allowable Advertising Expense is presented on Staff Ex. 6.0, Schedule 6.02 and Staff Ex. 17.0, Schedule 17.02.

V. RATE OF RETURN

A. Potentially Uncontested Issues

B. Contested Issues

1. Capital Structure

a. Average Capital Structure

(Phipps, Staff Ex. 18.0, pp. 2-13; ICC Staff Ex. 7.0, pp. 23-37)

Staff recommends using an average capital structure for setting formula rates. ComEd recommends using an end of year capital structure for setting formula rates. (ComEd Ex. 3.0, pp. 2-3)

b. Adjustment to L/T Debt and Equity due to Construction Work In Progress Adjustment

(Phipps, Staff Ex. 18.0, pp. 14-20; ICC Staff Ex. 7.0, pp. 4-6)

Staff recommends removing a portion of long-term debt and equity that is reflected in the Commission's formula for calculating allowance for funds used during construction ("AFUDC"). ComEd opposes this adjustment. (ComEd Ex. 15.0, pp. 6-7)

c. Section 9-230 Adjustments

i. Adjustment for ComEd of Indiana

(Phipps, Staff Ex. 18.0, pp. 20-21; ICC Staff Ex. 7.0, p. 6)

Staff recommends removing the effects of Commonwealth Edison Company of Indiana ("ComEd of Indiana") from ComEd's common equity balance, based on Section 9-230 of the Act. ComEd opposes this adjustment. (ComEd Ex. 15.0, pp. 7-9)

ii. Credit Facility Fees

(Phipps, Staff Ex. 18.0, pp. 22-25; ICC Staff Ex. 7.0, pp. 6-7)

Staff recommends adjusting the fees related to ComEd's community and minority owned bank credit facility in accordance with Section 9-230 of the Act. ComEd opposes this adjustment. (ComEd Ex. 15.0, p. 10)

d. ICC Should Order ComEd to Explore a More Leveraged Capital Structure and Report Back to the Commission

(Kight-Garlisch, Staff Ex. 12.0, p. 8)

Staff recommends that given that ComEd's 2010 capital structure evolved prior to the reductions in operating risk resulting from the passage of Public Acts 97-0616 and 97-0646, that ComEd be ordered to work with Staff to explore and report back to the Commission on a more leveraged capital structure for future years with the report to be provided to the Commission in its 2013 formula rate filing.

VI. PROPOSED TARIFF CHANGES

A. Rate DSPP

(Ebrey, Staff Ex. 1.0, Attachment I and pp. 18-23: Ebrey Staff Ex. 13.0, Attachment C and pp. 22-23)

Staff proposes a number of changes to the tariff schedules to correspond with certain adjustments proposed in testimony and to make the formula rate calculations more transparent. The Company accepted some but not all of the changes.

B. Tariffs other than Rate DSPP

(Rukosuev, Staff Ex. 10.0, pp. 20-21)

Staff does not object to ComEd's proposed tariff revisions to existing tariffs as a result of implementing Rate DSPP.

VII. UPCOMING COST OF SERVICE/RATE DESIGN DOCKET

A. Review of Other Utilities Treatment of Primary/Secondary Split Issues

(Lazare, Staff Ex. 9.0, pp. 3-8 and pp. 18-26; Lazare, Staff Ex. 20.0, pp. 2-6)

Staff proposes that the Company be directed to incorporate the Commission directives on direct observation, sampling and review of other utilities' treatment of primary and secondary costs into its filing for the next revenue-neutral rate design proceeding required under the formula rate law. Staff Ex. 9.0, pp. 3-8)

VIII. OTHER ISSUES

A. Customer Meter and Delivery Charges for Residential and Watt Hour Classes

(Lazare, Staff Ex. 9.0, pp. 8-13; Lazare Staff Ex. 20.0, pp. 6-13)

Staff proposes that the Company's customer charges for the Residential and Watt Hour classes be revised downward to be consistent with the language of the 10-0467 Order. Usage charges for these classes should be revised upwards to compensate for the lower customer charge revenue.

B. ComEd's proposed ECOSS

(Rukosuev, Staff Ex. 10.0, pp. 6-8)

Staff recommends acceptance of ComEd's proposed ECOSS, with correction of data entry errors and allocation to functions related to G&I plant.

C. Functionalization of General and Intangible Plant (G&I Plant)

(Rukosuev, Staff Ex. 10.0, pp. 8-19; Rukosuev Staff Ex. 21.0, pp. 2-12)

Staff recommends rejecting ComEd's proposal to functionalize certain G&I Plant accounts using a General Labor Allocator (W&S Allocator) and instead adopt Staff's proposal to use a combination of direct and generic functional allocators.

D. Protocols for Functional Allocation of Common Costs to Distribution

(Rukosuev, Staff Ex. 10.0, pp. 19-20)

Staff recommends rejecting ComEd's proposed changes to manner it allocates G&I plant to the distribution function and instead use the G&I functional allocation method adopted by the Commission in Docket No. 10-0467.

E. Depreciation Study

(Bridal, Staff Ex. 5.0, pp. 13-14; Bridal, Staff Ex. 16.0, pp. 16-17)

Staff recommended the Company perform an updated depreciation study, and that the depreciation rates resulting from the depreciation study be used in its formula rate filings in place of the composite depreciation rates employed by the Company in its current formula rate filing. In rebuttal, Staff withdrew his recommendation for a new depreciation study, as the Order in Docket No. 07-0566 already requires the Company to complete updated depreciation studies every 5 years, the next of which is due in 2013. Also, the Company and Staff reached an agreement on an alternative method of calculating depreciation. This is no longer a contested issue between Staff and the Company.

F. Formula Rate Annual Reconciliation

1. Use of Average Rate Base for Formula Rate Annual Reconciliation

(Bridal, Staff Ex. 16.0, pp. 32-37)

Staff agreed with AG/AARP, CUB, and IIEC that an average rate base, rather than the year-end rate base set forth by the Company, should be used in calculating the reconciliation revenue requirement used in measuring the actual results achieved during the year for purposes of the formula rate reconciliation.

2. Interest Rate for Reconciliation Amounts

(Ebrey, Staff Ex. 1.0, pp. 17-18; Phipps, Staff Ex. 18.0, pp. 25-28)

Staff recommends applying the Commission-authorized customer deposit rate to under-recovered amounts and refunds associated with the formula rate. ComEd recommends applying the weighted average cost of capital to reconciliation amounts. (ComEd Ex. 12.0, pp. 35-37)

G. ComEd Study Report #5

(Rockrohr, Staff Ex. 11.0, pp. 9-13)

Staff provides comments on the information ComEd provided in Study Report #5. ComEd submitted Study Report #5 in response to the Commission's Final Order in Docket 10-0467. ComEd Study Report #5 contemplates ComEd's dependence and use of certain railroad customer facilities. ComEd stated that it filed Study Report #5 for informational purposes. Staff and ComEd both understand that the Commission is not required to consider Study Report #5 in this proceeding.

H. Distribution Loss Study Results

(Rockrohr, Staff Ex. 11.0, pp. 2-8)

Staff recommends that the Commission reject the distribution loss study results that ComEd proposes as ComEd Ex. 7.1. Staff recommends that the Commission instead use the results from either ComEd Study Report #7B, or in the alternative, continue using the results from the distribution loss study approved in Docket 10-0467.

Respectfully submitted,

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